

**CITY OF MUNISING, MICHIGAN**  
**FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2004**

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <u>City of Munising, Michigan</u>		County <u>Alger</u>
Audit Date <u>6/30/04</u>	Opinion Date <u>8/13/04</u>	Date Accountant Report Submitted to State: <u>11/4/04</u>		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations. <u>(page 75-76 of AFS)</u>	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <u>Anderson, Tackman &amp; Co PLLC</u>			
Street Address <u>102 W. Washington, Suite 109</u>	City <u>Marquette</u>	State <u>MI</u>	ZIP <u>49855</u>
Accountant Signature <u>Debra M Hill CPA</u>			

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# ANDERSON, TACKMAN & COMPANY, P.L.C.

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, Members of the  
City Council, and City Manager  
City of Munising, Michigan 49862

We have audited the financial statements of the governmental activities, business-type activities, discretely presented component units, major funds, and remaining fund information, which collectively comprise the basic financial statements of the City of Munising, Michigan, as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, discretely presented component units, major funds and remaining fund information of the City of Munising, Michigan at June 30, 2004, and the changes in financial position and cash flows, where applicable, of those activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management Discussion and Analysis and budgetary comparison information on pages 6 through 13 and 47 through 48 are not a required part of the basic financial statements but is supplemental information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Honorable Mayor, Members of the  
City Council, and City Manager  
City of Munising, Michigan 49862

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2004 on our consideration of City of Munising, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining and individual fund statements and schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Munising, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

August 13, 2004

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

Our discussion and analysis of the City of Munising's financial performance provides an overview of the City's financial activities for the year ended June 30, 2004. Please read it in conjunction with the financial statements, which begin on page 14.

### **FINANCIAL HIGHLIGHTS**

- The City's net assets were reported for the first time under GASB 34. As such, no comparisons with prior years will be made. In future years, comparative information will be presented in various schedules throughout the MD&A.
- Net assets for the City as a whole increased by \$341,255 as a result of this year's operations. Net assets of our business-type activities increased by \$132,073, or 2 percent, and net assets of our governmental activities increased by \$209,182, or 13 percent.
- During the year, the City had expenses for governmental activities that were \$1,969,193 and generated \$2,178,375 in general revenues and other program sources.
- The City's business-type activities had expenses of \$1,302,606 and generated \$1,434,679 in revenues.
- The general fund reported a net change in fund balance of \$30,161.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 14 and 15) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 16. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

### Reporting the City as a Whole

Our analysis of the City as a whole begins on page 9. One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's *net assets* and changes in them. You can think of the City's net assets - the difference between assets and liabilities - as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's patron base and the condition of the City's capital assets, to assess the *overall financial health* of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into three kinds of activities:

- *Governmental activities* – Most of the City's basic services are reported here, including the police, fire, public works and parks departments, and general administration. Property taxes, charges for services and state sources fund most of these activities.
- *Business-type activities* – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system and marina activities are reported here.
- *Component units* – The City includes three separate legal entities in its report – the Downtown Development Authority, the Landfill Authority and the Alger Parks and Recreation Department. Although legally separate, these "component units" are important because the City is financially accountable for them.

### Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 11. The fund financial statements begin on page 16 and provide detailed information on the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Commission establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The City's two kinds of funds - *governmental* and *proprietary* - use different accounting approaches.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

- *Governmental funds* – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- *Proprietary funds* – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities – such as the Motor Pool Fund.

### The City as Trustee

The City is the trustee, or fiduciary, for assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 23 and 24. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

### The City as a Whole

Table I provides a summary of the City's net assets as of June 30, 2004.

**Table 1**  
**Net Assets**

	Governmental Activities – 2004	Business-type Activities - 2004	Total Primary Government - 2004
Current and other assets	\$1,423,266	\$ 481,808	\$ 1,905,074
Restricted assets	-	654,772	654,772
Noncurrent assets	<u>1,245,583</u>	<u>6,582,521</u>	<u>7,828,104</u>
Total Assets	<u>2,668,849</u>	<u>7,719,101</u>	<u>10,387,950</u>
Current liabilities	111,316	75,067	186,383
Noncurrent liabilities	<u>757,453</u>	<u>815,000</u>	<u>1,572,453</u>
Total Liabilities	<u>868,769</u>	<u>890,067</u>	<u>1,758,836</u>
Net Assets:			
Invested in capital assets, Net of related debt	1,135,323	5,696,361	6,831,684
Restricted	232,427	76,973	309,400
Unrestricted (deficit)	<u>432,330</u>	<u>1,055,700</u>	<u>1,488,030</u>
Total Net Assets	<u>\$1,800,080</u>	<u>\$6,829,034</u>	<u>\$ 8,629,114</u>

Net assets of the City's governmental activities stood at \$1,800,080. *Unrestricted* net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$432,330.

The \$432,330 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The net assets of our business-type activities stood at \$6,829,034. The City can generally only use these net assets to finance continuing operations of the water and sewer and other enterprise operations.

The results of this year's operations for the City as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2004. Since this is the first year the City has prepared financial statements following GASB Statement No. 34, revenue and expense comparison to fiscal year 2003 is not available.

# MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

**Table 2**  
**Change in Net Assets**

	Governmental Activities - 2004	Business-type Activities - 2004	Total Primary Government 2004
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 213,933	\$1,413,485	\$1,627,418
Operating grants and contributions	409,057	9,330	418,387
General revenues:			
Property taxes	1,121,968	-	1,121,968
Unrestricted intergovernmental	375,510	-	375,510
Investment earnings	14,880	11,864	26,744
Miscellaneous	43,027	-	43,027
Total Revenues	<u>2,178,375</u>	<u>1,434,679</u>	<u>3,613,054</u>
<b>Program Expenses:</b>			
Legislative	11,436	-	11,436
General government	367,488	-	367,488
Public safety	495,447	-	495,447
Public works	919,725	-	919,725
Parks and recreation	122,516	-	122,516
Interest on long-term debt	52,581	-	52,581
Sewer	-	766,271	766,271
Water	-	420,657	420,657
Marina	-	115,678	115,678
Total Expenses	<u>1,969,193</u>	<u>1,302,606</u>	<u>3,271,799</u>
Increase (decrease) in net assets	<u>209,182</u>	<u>132,073</u>	<u>341,255</u>
Net assets, beginning	<u>1,590,898</u>	<u>6,696,961</u>	<u>8,287,859</u>
Net Assets, Ending	<u>\$1,800,080</u>	<u>\$6,829,034</u>	<u>\$8,629,114</u>

The City's total revenues were \$3,613,054. The total cost of all programs and services was \$3,271,799, leaving an increase in net assets of \$341,255. Our analysis below separately considers the operations of governmental and business-type activities:

## Governmental Activities

The major reasons for the increase in net assets can be attributed to lower than anticipated expenditures in the Police Department and Treasurer's Office, significantly higher than expected revenue from the Tourist Park and miscellaneous line items. Further, fund balances continued to increase in the Motor Pool Fund and in the reserved General Fund property tax account established for capital improvements.

Table 3 presents the cost of each of the three largest programs – General Government, Public Safety, and Public Works – as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each program placed on the City's operation.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

**Table 3**  
**Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government	\$367,488	\$301,451
Public safety	495,447	492,943
Public works	919,725	492,314

### **Business-type Activities**

The increase in net assets in business-type activities is due to increased revenue in the Water Fund coupled with less than expected expenditures. During the same period reserved fund balance in the Water Improvement, Sewer Improvement and Sewer Leachate accounts increased over last Fiscal Year. However, the positive change in net assets would have been greater if an operational deficit did not exist in the Sewer Fund.

### **THE CITY'S FUNDS**

As the City completed the year, its governmental funds (as presented in the balance sheet on page 16) reported a *combined* fund balance of \$710,086, a decrease of \$(30,995) from the beginning of the year. The primary reasons for the reduction in fund balance in governmental funds are a large vacation/sick leave buyout for early retirements, dramatically increased costs in liability insurance, a larger than anticipated transfer from the General Fund into the Local Streets Fund for winter maintenance and unanticipated costs associated with the transfer of reserved fund balance to the Downtown Development Authority for capital improvements.

### **General Fund Budgetary Highlights**

Over the course of the year, the City Commission revised the budget a few times. Significant revisions to the budget included a General Fund loan to the Downtown Development Authority to assist with payment for capital outlay, expenditures in the General Fund were increased to reflect the additional cost of liability insurance and sick leave/vacation payments for early retirements. With these adjustments, actual charges to expenditures were \$48,441 more than the final amended budget. Conversely, revenues were \$90,361 more than the final budget projection. Variances in revenue were due to increased Tourist Park fees and miscellaneous income, including an unbudgeted payment from the State from Metro Act funds. Variance in expenditures in the General Fund were a result of higher liability insurance costs and early retirement payments.

# MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal 2004, the City had \$7,760,684 invested in a variety of capital assets including land, buildings, and other equipment. (See table 4 below)

**Table 4**  
**Capital Assets at Year-End**  
**(Net of Depreciation)**

	Governmental Activities – 2004	Business-type Activities – 2004	Totals- 2004
Land	\$ -	\$ 12,275	\$ 12,275
Construction in progress	43,945	-	43,945
Buildings and improvements	37,500	-	37,500
Equipment and furnishings	967,049	-	967,049
Infrastructure	140,829	-	140,829
Sewer plant and equipment	-	3,033,479	3,033,479
Water plant and equipment	-	2,651,708	2,651,708
Marina and Harbor Master Building	-	873,899	873,899
Totals	<u>\$1,189,323</u>	<u>\$6,571,361</u>	<u>\$7,760,684</u>

In the 2004 Fiscal Year the City completed the reconstruction of Cedar and Jewell Streets, this project included the replacement of water and sewer mains and services, curbing and street resurfacing.

In Fiscal Year 2005 the City will complete the reconstruction of Birch, Varnum and Cedar Streets; water, sewer and storm sewer as well as street resurfacing will be a part of the project. The City will also purchase a new Police Department patrol vehicle and plans to purchase and renovate a new Department of Public Works facility.

### Debt

At year-end, the City had \$1,614,584 in bonds and notes outstanding as depicted in Table 5 below.

**Table 5**  
**Outstanding Debt at Year-End**

	Governmental Activities – 2004	Business-type Activities – 2004	Totals – 2004
General obligation bonds	\$625,000	\$ -	\$ 625,000
Revenue bonds	-	875,000	875,000
Contracts and notes payable	114,584	-	114,584
Totals	<u>\$739,584</u>	<u>\$875,000</u>	<u>\$1,614,584</u>

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**

There were no new additions to debt for this year and further details on long-term debt can be found in Note I.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

The City's elected and appointed officials consider many factors when setting the fiscal year 2004 budget. One of those factors is the economy.

Over the past two years the City has experienced a sizeable decrease in state revenue sharing. As population within City limits continues to decline the property tax base is expected to remain stagnant. Demographic factors could also have a noticeable impact on revenue raised by the City's enterprise funds as fewer users pay for those services. The rising costs of health insurance in Michigan and across the country have had a significant impact on overall employee costs because the City pays for all or the majority of employee health coverage. All of the aforementioned factors are partially mitigated by recent reductions in the size of the City's workforce, however, the current weak economy will continue to provide challenges for raising revenue using traditional means.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Manager at City of Munising, 101 W. Munising Avenue, Munising, Michigan, 49862.

**City of Munising, Michigan**

**STATEMENT OF NET ASSETS**

June 30, 2004

	Primary Government			
	Governmental Activities	Business Type Activities	Total	Component Units
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 784,667	\$ 294,226	\$ 1,078,893	\$ 201,383
Cash and cash equivalents-reserved	310,724	-	310,724	148,464
Receivables (net)	304,090	211,367	515,457	84,957
Primary government internal balances	23,785	(23,785)	-	-
Other current assets	-	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>1,423,266</b>	<b>481,808</b>	<b>1,905,074</b>	<b>434,804</b>
Restricted Assets	-	654,772	654,772	-
Noncurrent assets:				
Long-term receivables	56,260	-	56,260	-
Unamortized bond issue costs	-	11,160	11,160	-
Capital assets:				
Land and construction in progress	43,945	12,275	56,220	-
Other capital assets	2,745,131	11,209,621	13,954,752	262,359
Accumulated depreciation	(1,599,753)	(4,650,535)	(6,250,288)	(4,964)
Total Capital Assets	1,189,323	6,571,361	7,760,684	257,395
<b>TOTAL NONCURRENT ASSETS</b>	<b>1,245,583</b>	<b>6,582,521</b>	<b>7,828,104</b>	<b>257,395</b>
<b>TOTAL ASSETS</b>	<b>2,668,849</b>	<b>7,719,101</b>	<b>10,387,950</b>	<b>692,199</b>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts payable	9,285	-	9,285	91,921
Accrued liabilities	20,305	3,730	24,035	-
Accrued sick and vacation leave	17,522	11,337	28,859	-
Current portion of bonds payable	45,000	60,000	105,000	100,000
Current potion of notes payable	19,204	-	19,204	-
Other current liabilities	-	-	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>111,316</b>	<b>75,067</b>	<b>186,383</b>	<b>191,921</b>
Noncurrent Liabilities:				
Compensated absences	82,073	-	82,073	-
Bonds payable	580,000	815,000	1,395,000	200,000
Long-term contracts and notes payable	95,380	-	95,380	-
Other	-	-	-	-
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>757,453</b>	<b>815,000</b>	<b>1,572,453</b>	<b>200,000</b>
<b>TOTAL LIABILITIES</b>	<b>868,769</b>	<b>890,067</b>	<b>1,758,836</b>	<b>391,921</b>
<b>NET ASSETS</b>				
Invested in capital assets net of related debt	1,135,323	5,696,361	6,831,684	257,395
Restricted for:				
Debt Service	-	76,973	76,973	-
Other activities	232,427	-	232,427	-
Unrestricted	432,330	1,055,700	1,488,030	42,883
<b>TOTAL NET ASSETS</b>	<b>\$ 1,800,080</b>	<b>\$ 6,829,034</b>	<b>\$ 8,629,114</b>	<b>\$ 300,278</b>

The accompanying notes are an integral part of these financial statements.

**City of Munising, Michigan**

**STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2004

Function / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business Type Activities	Total	Component Units
<b>Primary Government:</b>								
Legislative	\$ 11,436	\$ -	\$ -	\$ -	\$ (11,436)	\$ -	\$ (11,436)	\$ -
General government	367,488	66,037	-	-	(301,451)	-	(301,451)	-
Public safety	495,447	1,177	1,327	-	(492,943)	-	(492,943)	-
Parks and recreation	919,725	34,681	392,730	-	(492,314)	-	(492,314)	-
Interest on long-term debt	122,516	112,038	15,000	-	4,522	-	4,522	-
	52,581	-	-	-	(52,581)	-	(52,581)	-
<b>Total Governmental Activities</b>	<b>1,969,193</b>	<b>213,933</b>	<b>409,057</b>	-	<b>(1,346,203)</b>	-	<b>(1,346,203)</b>	-
<b>Business Type Activities:</b>								
Sewer	766,271	845,072	-	-	-	78,801	78,801	-
Water	420,657	490,081	-	-	-	69,424	69,424	-
Marina	115,678	78,332	9,330	-	-	(28,016)	(28,016)	-
<b>Total Business Type Activities</b>	<b>1,302,606</b>	<b>1,413,485</b>	<b>9,330</b>	-	-	<b>120,209</b>	<b>120,209</b>	-
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 3,271,799</b>	<b>\$ 1,627,418</b>	<b>\$ 418,387</b>	<b>\$ -</b>	<b>(1,346,203)</b>	<b>120,209</b>	<b>(1,225,994)</b>	-
<b>Component Units:</b>								
Downtown Development Authority	53,048	-	-	-	-	-	-	(53,048)
Landfill Authority	20,631	-	26,277	-	-	-	-	5,646
Alger Parks & Recreation Department	158,880	36,630	115,559	-	-	-	-	(6,691)
<b>TOTAL COMPONENT UNITS</b>	<b>\$ 232,559</b>	<b>\$ 36,630</b>	<b>\$ 141,836</b>	<b>\$ -</b>	-	-	-	<b>(54,093)</b>
<b>General Revenues:</b>								
<b>Taxes:</b>								
Property taxes					1,121,968	-	1,121,968	397,888
Unrestricted intergovernmental sources					375,510	-	375,510	-
Interest and investment earnings					14,880	11,864	26,744	6,862
Miscellaneous					43,027	-	43,027	22,336
Transfers					-	-	-	-
<b>TOTAL GENERAL REVENUES &amp; TRANSFERS</b>					<b>1,555,385</b>	<b>11,864</b>	<b>1,567,249</b>	<b>427,086</b>
<b>CHANGE IN NET ASSETS</b>					<b>209,182</b>	<b>132,073</b>	<b>341,255</b>	<b>372,993</b>
Net assets, beginning of year					1,590,898	6,696,961	8,287,859	(72,715)
<b>NET ASSETS, END OF YEAR</b>					<b>\$ 1,800,080</b>	<b>\$ 6,829,034</b>	<b>\$ 8,629,114</b>	<b>\$ 300,278</b>

The accompanying notes are an integral part of these financial statements.



City of Munising, Michigan

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2004

	General Fund	Major Street Fund	Local Street Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 35,459	\$ 29,217	\$ -	\$ 36,468	\$ 101,144
Cash and cash equivalents-reserved	310,724	-	-	-	310,724
Accounts receivable, net	8,857	-	-	-	8,857
Other receivables	18,288	-	-	-	18,288
Due from other governments	95,667	27,778	4,417	-	127,862
Due from other funds	154,853	-	-	-	154,853
Advances to other funds	20,030	-	-	-	20,030
Other assets	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 643,878</b>	<b>\$ 56,995</b>	<b>\$ 4,417</b>	<b>\$ 36,468</b>	<b>\$ 741,758</b>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>LIABILITIES:</b>					
Cash overdraft	\$ -	\$ -	\$ 4,417	\$ -	\$ 4,417
Accounts payable	7,253	-	-	-	7,253
Accrued liabilities	7,340	-	-	-	7,340
Accrued sick and vacation leave	8,615	-	-	-	8,615
Due to other funds	4,047	-	-	-	4,047
Deferred revenue	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>27,255</b>	<b>-</b>	<b>4,417</b>	<b>-</b>	<b>31,672</b>
<b>FUND BALANCE:</b>					
Reserved for:					
Capital outlay	232,427	-	-	-	232,427
Other	25,800	-	-	35,862	61,662
Unreserved, reported in:					
General Fund	358,396	-	-	-	358,396
Special Revenue Funds	-	56,995	-	606	57,601
<b>TOTAL FUND BALANCE</b>	<b>616,623</b>	<b>56,995</b>	<b>-</b>	<b>36,468</b>	<b>710,086</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 643,878</b>	<b>\$ 56,995</b>	<b>\$ 4,417</b>	<b>\$ 36,468</b>	<b>\$ 741,758</b>

The accompanying notes are an integral part of these financial statements.

**City of Munising, Michigan**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS**

June 30, 2004

<b>Total Fund Balances for Governmental Funds</b>	<b>\$ 710,086</b>
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*Amounts reported for governmental activities in the statement  
of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds (includes capital assets of internal service funds).	1,189,323
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Internal service funds are used by management to charge the costs of certain activities, such as the purchase and maintenance of equipment and vehicles and the operation of the Municipal Building, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets, net of capital assets.

Current assets	\$ 687,940	
Long-term receivables	56,260	
Current liabilities (other than debt)	(8,907)	735,293

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Current portion of bonds payable	\$ 45,000	
Current portion of notes and contracts payable	19,204	
Accrued interest on bonds	12,965	
Compensated absences	82,073	
Bonds payable	580,000	
Long-term contracts and notes payable	95,380	(834,622)

<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>1,800,080</u></b>
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City of Munising, Michigan

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 2004

	General Fund	Major Street Fund	Local Street Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Property taxes	\$ 1,121,968	\$ -	\$ -	\$ -	\$ 1,121,968
Licenses and permits	29,124	-	-	-	29,124
Intergovernmental revenues	375,510	311,414	81,316	1,327	769,567
Charges for services	161,121	-	-	-	161,121
Fines and forfeits	1,177	-	-	-	1,177
Interest income	12,566	1,425	328	561	14,880
Other revenues	79,864	-	-	674	80,538
<b>TOTAL REVENUES</b>	<b>1,781,330</b>	<b>312,839</b>	<b>81,644</b>	<b>2,562</b>	<b>2,178,375</b>
<b>EXPENDITURES:</b>					
Current operations:					
Legislative	11,436	-	-	-	11,436
General government	421,398	-	-	-	421,398
Public safety	499,413	-	-	1,211	500,624
Public works	452,030	278,229	414,864	-	1,145,123
Parks and recreation	101,460	-	-	-	101,460
Debt service					
Principal retirement	25,000	38,657	-	-	63,657
Interest and fiscal charges	28,413	11,203	-	-	39,616
<b>TOTAL EXPENDITURES</b>	<b>1,539,150</b>	<b>328,089</b>	<b>414,864</b>	<b>1,211</b>	<b>2,283,314</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>242,180</b>	<b>(15,250)</b>	<b>(333,220)</b>	<b>1,351</b>	<b>(104,939)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating transfers in	103,483	-	325,715	-	429,198
Operating transfers out	(315,502)	(39,078)	-	(674)	(355,254)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(212,019)</b>	<b>(39,078)</b>	<b>325,715</b>	<b>(674)</b>	<b>73,944</b>
<b>CHANGE IN FUND BALANCE</b>	<b>30,161</b>	<b>(54,328)</b>	<b>(7,505)</b>	<b>677</b>	<b>(30,995)</b>
Fund balance, beginning of year	586,462	111,323	7,505	35,791	741,081
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 616,623</b>	<b>\$ 56,995</b>	<b>\$ -</b>	<b>\$ 36,468</b>	<b>\$ 710,086</b>

The accompanying notes are an integral part of these financial statements.

**City of Munising, Michigan**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2004

**Net Change in Fund Balances - Total Governmental Funds** **\$ (30,995)**

*Amounts reported for governmental activities in the statement  
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. Includes Internal Service Funds depreciation expense of \$180,776.

Capital outlays	\$	143,216	
Depreciation expense		<u>(186,913)</u>	(43,697)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	63,657
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(12,965)
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Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	55,772
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Internal service funds are used by management to charge costs of certain activities, such as the purchase and maintenance of equipment and vehicles and the operation of the Municipal Building, to individual funds. The net revenue of the Internal Service Funds is reported with governmental activities net of depreciation expense.

Change in net assets	(3,366)		
Depreciation expense		<u>180,776</u>	177,410

<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>209,182</u></b>
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## City of Munising, Michigan

## PROPRIETARY FUNDS

## STATEMENT OF NET ASSETS

June 30, 2004

	Business-Type Activities: Enterprise Funds				Governmental Activities
	Sewer Fund	Water Fund	Marina Fund	Total	Internal Service Funds
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents	\$ -	\$ 239,351	\$ 120,763	\$ 360,114	\$ 687,940
Accounts receivable	132,311	86,126	-	218,437	-
Allowance for uncollectible accounts	(5,383)	(2,391)	-	(7,774)	-
Due from other governmental units	704	-	-	704	-
Due from other funds	-	38,052	-	38,052	-
Unamortized bond issuance costs	-	11,160	-	11,160	-
<b>TOTAL CURRENT ASSETS</b>	<b>127,632</b>	<b>372,298</b>	<b>120,763</b>	<b>620,693</b>	<b>687,940</b>
Restricted Assets:					
Construction	466,262	97,436	-	563,698	-
Debt retirement	-	71,853	-	71,853	-
Water System Reserve	-	5,120	-	5,120	-
Funded depreciation	-	-	14,101	14,101	-
<b>TOTAL RESTRICTED ASSETS</b>	<b>466,262</b>	<b>174,409</b>	<b>14,101</b>	<b>654,772</b>	<b>-</b>
Noncurrent Assets:					
Long-term receivables	-	-	-	-	56,260
Land	-	12,275	-	12,275	-
Construction in progress	-	-	-	-	43,945
Capital assets	5,100,780	4,978,552	1,130,289	11,209,621	2,083,915
Accumulated depreciation	(2,067,301)	(2,326,844)	(256,390)	(4,650,535)	(1,116,866)
<b>TOTAL NONCURRENT ASSETS</b>	<b>3,033,479</b>	<b>2,663,983</b>	<b>873,899</b>	<b>6,571,361</b>	<b>1,067,254</b>
<b>TOTAL ASSETS</b>	<b>3,627,373</b>	<b>3,210,690</b>	<b>1,008,763</b>	<b>7,846,826</b>	<b>1,755,194</b>
<b>LIABILITIES</b>					
Current Liabilities:					
Cash overdraft	65,888	-	-	65,888	-
Accrued salaries	2,210	1,520	-	3,730	-
Accrued sick and vacation leave	6,813	4,524	-	11,337	8,907
Due to other funds	36,037	3,570	2,200	41,807	-
Current portion of long-term debt	30,000	30,000	-	60,000	5,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>140,948</b>	<b>39,614</b>	<b>2,200</b>	<b>182,762</b>	<b>13,907</b>
Noncurrent Liabilities:					
Advances from other funds	-	20,030	-	20,030	-
Bonds payable	235,000	580,000	-	815,000	-
Notes payable	-	-	-	-	49,000
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>235,000</b>	<b>600,030</b>	<b>-</b>	<b>835,030</b>	<b>49,000</b>
<b>TOTAL LIABILITIES</b>	<b>375,948</b>	<b>639,644</b>	<b>2,200</b>	<b>1,017,792</b>	<b>62,907</b>
<b>NET ASSETS</b>					
Invested in capital assets net of related debt	2,768,479	2,053,983	873,899	5,696,361	956,994
Net Assets:					
Restricted for debt service	-	76,973	-	76,973	-
Unrestricted	482,946	440,090	132,664	1,055,700	735,293
<b>TOTAL NET ASSETS</b>	<b>\$ 3,251,425</b>	<b>\$ 2,571,046</b>	<b>\$ 1,006,563</b>	<b>\$ 6,829,034</b>	<b>\$ 1,692,287</b>

The accompanying notes are an integral part of these financial statements.

City of Munising, Michigan

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Fiscal Year Ended June 30, 2004

	Business- Type Activities: Enterprise Funds				Governmental Activities Internal Service Funds
	Sewer Fund	Water Fund	Marina Fund	Total	
<b>OPERATING REVENUES:</b>					
Intergovernmental revenue	\$ -	\$ -	\$ 9,330	\$ 9,330	\$ -
Charges for services	793,433	489,595	78,144	1,361,172	-
Rents and royalties	-	-	-	-	537,695
Other operating revenue	51,639	486	188	52,313	42
<b>TOTAL OPERATING REVENUES</b>	<b>845,072</b>	<b>490,081</b>	<b>87,662</b>	<b>1,422,815</b>	<b>537,737</b>
<b>OPERATING EXPENSES:</b>					
Transmission and distribution	-	265,417	-	265,417	-
Sewer maintenance/treatment	588,213	-	-	588,213	-
Personnel services	-	-	-	-	106,416
Services and supplies	-	-	-	-	65,305
Administrative and general	25,488	25,833	63,730	115,051	54,571
Repairs and maintenance	-	-	1,556	1,556	39,873
Depreciation	133,055	99,242	50,392	282,689	180,776
<b>TOTAL OPERATING EXPENSES</b>	<b>746,756</b>	<b>390,492</b>	<b>115,678</b>	<b>1,252,926</b>	<b>446,941</b>
<b>OPERATING INCOME (LOSS)</b>	<b>98,316</b>	<b>99,589</b>	<b>(28,016)</b>	<b>169,889</b>	<b>90,796</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Interest income	3,830	5,994	2,040	11,864	11,331
Interest expense	(19,515)	(30,165)	-	(49,680)	(2,684)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(15,685)</b>	<b>(24,171)</b>	<b>2,040</b>	<b>(37,816)</b>	<b>8,647</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>82,631</b>	<b>75,418</b>	<b>(25,976)</b>	<b>132,073</b>	<b>99,443</b>
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	-	(102,809)
<b>CHANGE IN NET ASSETS</b>	<b>82,631</b>	<b>75,418</b>	<b>(25,976)</b>	<b>132,073</b>	<b>(3,366)</b>
Net assets, beginning of year	3,168,794	2,495,628	1,032,539	6,696,961	1,695,653
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 3,251,425</b>	<b>\$ 2,571,046</b>	<b>\$ 1,006,563</b>	<b>\$ 6,829,034</b>	<b>\$ 1,692,287</b>

The accompanying notes are an integral part of these financial statements.

## City of Munising, Michigan

## PROPRIETARY FUNDS

## STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2004

	Business-Type Activities: Enterprise Funds				Governmental Activities Internal Service Funds
	Sewer Fund	Water Fund	Marina Fund	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash received from fees and charges for services	\$ 814,989	\$ 493,302	\$ 87,474	\$ 1,395,765	\$ 537,695
Other operating revenues	51,639	486	188	52,313	42
Cash payments to employees for services	(273,030)	(105,500)	(23,305)	(401,835)	(72,409)
Cash payments for payroll taxes	(18,848)	(7,577)	(1,656)	(28,081)	(5,413)
Cash payments to suppliers for goods and services	(364,597)	(183,101)	(41,979)	(589,677)	(190,000)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>210,153</b>	<b>197,610</b>	<b>20,722</b>	<b>428,485</b>	<b>269,915</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
(Decrease) in advances from other funds	-	(3,570)	-	(3,570)	-
(Decrease) in due to other funds	-	-	-	-	-
Payments from (to) other funds	-	-	-	-	(102,809)
(Increase) decrease in due from other local units	47,504	47,503	-	95,007	-
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>47,504</b>	<b>43,933</b>	<b>-</b>	<b>91,437</b>	<b>(102,809)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Acquisition and construction of capital assets	(314,364)	(166,743)	(7,140)	(488,247)	(63,836)
Payments received on notes receivable	-	-	-	-	12,100
Principal payments on revenue bonds and notes payable	(30,000)	(30,000)	-	(60,000)	(5,000)
Interest paid on revenue bonds and notes payable	(19,515)	(30,165)	-	(49,680)	(2,684)
<b>NET CASH (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(363,879)</b>	<b>(226,908)</b>	<b>(7,140)</b>	<b>(597,927)</b>	<b>(59,420)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest income	3,830	5,994	2,040	11,864	11,331
(Increase) decrease in restricted assets:					
Construction	(25,994)	9,784	-	(16,210)	-
Funded Depreciation	-	-	-	-	-
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>(22,164)</b>	<b>15,778</b>	<b>2,040</b>	<b>(4,346)</b>	<b>11,331</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(128,386)</b>	<b>30,413</b>	<b>15,622</b>	<b>(82,351)</b>	<b>119,017</b>
Cash and cash equivalents, beginning of year	62,498	208,938	105,141	376,577	568,923
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ (65,888)</b>	<b>\$ 239,351</b>	<b>\$ 120,763</b>	<b>\$ 294,226</b>	<b>\$ 687,940</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>					
Operating income (loss)	\$ 98,316	\$ 99,589	\$ (28,016)	\$ 169,889	\$ 90,796
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	133,055	99,242	50,392	282,689	180,776
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable - net	21,556	3,707	-	25,263	-
Increase (decrease) in accounts payable	(18,339)	-	-	(18,339)	-
Increase (decrease) in accrued salaries	(5,092)	(2,613)	(1,654)	(9,359)	(1,657)
Increase (decrease) in accrued sick and vacation	(19,343)	(2,315)	-	(21,658)	-
<b>NET ADJUSTMENTS</b>	<b>111,837</b>	<b>98,021</b>	<b>48,738</b>	<b>258,596</b>	<b>179,119</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 210,153</b>	<b>\$ 197,610</b>	<b>\$ 20,722</b>	<b>\$ 428,485</b>	<b>\$ 269,915</b>

The accompanying notes are an integral part of these financial statements.

City of Munising, Michigan

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2004

	Private-Purpose Trust Fund Substandard Housing	Agency Funds
<b>ASSETS</b>		
Cash and equivalents	\$ 53,719	\$ 122,429
Due from other funds	2,032	-
<b>TOTAL ASSETS</b>	<u>55,751</u>	<u>\$ 122,429</u>
<b>LIABILITIES</b>		
Due to others	-	\$ 24,022
Due to other funds	-	98,407
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>\$ 122,429</u>
<b>NET ASSETS</b>		
Held in trust for individuals, organizations, and other governments	<u>55,751</u>	
<b>TOTAL NET ASSETS</b>	<u>\$ 55,751</u>	

The accompanying notes are an integral part of these financial statements.



City of Munising, Michigan

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

For the Fiscal Year Ended June 30, 2004

	<u>Private-Purpose Trust Fund Substandard Housing</u>
<b>ADDITIONS:</b>	
Contributions:	
Gifts, bequests and endowments	\$ -
<b>Total Contributions</b>	-
Investment Income:	
Interest and dividends	510
<b>Net Investment Income (Loss)</b>	510
<b>TOTAL ADDITIONS (DEDUCTIONS)</b>	510
<b>DEDUCTIONS:</b>	
Payments in accordance with trust agreements	-
<b>TOTAL DEDUCTIONS</b>	-
<b>CHANGE IN NET ASSETS</b>	510
Net assets, beginning of year	55,241
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 55,751</u>

The accompanying notes are an integral part of these financial statements.

**City of Munising, Michigan**

**COMPONENT UNITS**

**COMBINING STATEMENT OF NET ASSETS**

June 30, 2004

	<b>Downtown Development Authority</b>	<b>Landfill Authority</b>	<b>Alger Parks &amp; Recreation Department</b>	<b>Total</b>
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 85,649	\$ 859	\$ 114,875	\$ 201,383
Cash and cash equivalents-reserved	147,707	757	-	148,464
Receivables, net	58,680	26,277	-	84,957
Internal balances	-	-	-	-
Other assets	-	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>292,036</b>	<b>27,893</b>	<b>114,875</b>	<b>434,804</b>
Noncurrent Assets:				
Capital assets	262,359	-	-	262,359
Accumulated depreciation	(4,964)	-	-	(4,964)
<b>TOTAL NONCURRENT ASSETS</b>	<b>257,395</b>	<b>-</b>	<b>-</b>	<b>257,395</b>
<b>TOTAL ASSETS</b>	<b>549,431</b>	<b>27,893</b>	<b>114,875</b>	<b>692,199</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	91,921	-	-	91,921
Accrued liabilities	-	-	-	-
Current portion of bonds payable	100,000	-	-	100,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>191,921</b>	<b>-</b>	<b>-</b>	<b>191,921</b>
Noncurrent Liabilities:				
Bonds payable	200,000	-	-	200,000
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>200,000</b>	<b>-</b>	<b>-</b>	<b>200,000</b>
<b>TOTAL LIABILITIES</b>	<b>391,921</b>	<b>-</b>	<b>-</b>	<b>391,921</b>
<b>NET ASSETS</b>				
Invested in capital assets net of related debt	257,395	-	-	257,395
Unrestricted	(99,885)	27,893	114,875	42,883
<b>TOTAL NET ASSETS</b>	<b>\$ 157,510</b>	<b>\$ 27,893</b>	<b>\$ 114,875</b>	<b>\$ 300,278</b>

The accompanying notes are an integral part of these financial statements.

City of Munising, Michigan

COMPONENT UNITS

COMBINING STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2004

Function / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Downtown Development Authority	Landfill Authority	Alger Parks & Recreation Department	Total
Downtown Development Authority Operations	\$ 53,048	\$ -	\$ -	\$ (53,048)	\$ -	\$ -	(53,048)
Landfill Authority Operations	-	26,277	-	-	5,646	-	5,646
Alger Parks and Recreation Department Operations	36,630	115,559	-	-	-	(6,691)	(6,691)
<b>TOTAL COMPONENT UNITS</b>	<b>\$ 36,630</b>	<b>\$ 141,836</b>	<b>\$ -</b>	<b>(53,048)</b>	<b>5,646</b>	<b>(6,691)</b>	<b>(54,093)</b>
General Revenues:							
Property taxes				397,888	-	-	397,888
Interest and investment earnings				4,293	255	2,314	6,862
Miscellaneous				22,336	-	-	22,336
<b>TOTAL GENERAL REVENUES</b>				<b>424,517</b>	<b>255</b>	<b>2,314</b>	<b>427,086</b>
<b>CHANGE IN NET ASSETS</b>				<b>371,469</b>	<b>5,901</b>	<b>(4,377)</b>	<b>372,993</b>
Net assets, beginning of year				(213,959)	21,992	119,252	(72,715)
<b>NET ASSETS, END OF YEAR</b>				<b>\$ 157,510</b>	<b>\$ 27,893</b>	<b>\$ 114,875</b>	<b>\$ 300,278</b>

# City of Munising, Michigan

## Notes to Financial Statements

June 30, 2004

### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the City of Munising conform to generally accepted accounting principles applicable to local governmental units as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The following is a summary of the more significant policies.

#### Description

The City was chartered in 1915 under Public Act 279 of 1909, as amended, as a home rule city and is located in Alger County, Michigan. The City operates under a Commission (5 member) - Manager form of government. As required by generally accepted accounting principles, these financial statements present the City of Munising (the primary government) and its component units. The component units discussed in Note B are included in the City's reporting entity because of the significance of its operational and financial relationships with the City.

#### BASIS OF PRESENTATION

##### Government-Wide Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, public works, culture and recreation and general administrative services are classified as governmental activities. The City's water, sewer and marina services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities. For the most part, the effect of interfund activities has been removed from these statements.

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

### Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. The various funds are reported by generic classification within the financial statements. The City uses the following fund types:

#### *Governmental Funds:*

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

*General Fund* - The General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

*Special Revenue Funds* - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

*Capital Projects Funds* - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

*Debt Service Funds* - Debt Service Funds are used to account for the payment of interest and principal on long-term debt obligations.

*Permanent Funds* - Permanent Funds are used to account for assets held by the City pursuant to a trust agreement. The principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

#### *Proprietary Funds*

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

*Enterprise Funds* - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

*Internal Service Funds* - Internal Service funds are used to account for the financing of goods or services provided by one department or agency of a government to other departments or agencies on a cost-reimbursement basis.

### *Fiduciary Funds*

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

### *Major Funds*

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Major Street Fund** accounts for the receipt of allocated state shared gas and weight taxes. The expenditure of these funds is restricted to Federal and State trunklines and certain "mile" roads designated as major under contractual agreement with the State of Michigan.

The **Local Street Fund** accounts for the allocated state shared gas and weight taxes for remaining City roads.

The City reports the following major proprietary funds:

The **Sewer Fund** accounts for the activities related to sanitary sewer operation and booster stations and billing for services.

The **Water Fund** accounts for the activities related to water treatment and distribution and billing for services.

The **Marina Fund** accounts for the management of the City's marina including billing, maintenance and construction.

The City's internal service funds are presented in the proprietary funds financial statements. Because the principal users of the internal services are the City's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity (general government, public works, etc.)

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide statements.

### BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

#### *Accrual*

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

All proprietary funds and private-purpose trust funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Unbilled water and sewer services are accrued as revenue in the Water and Sewer Funds based upon estimated consumption at year-end.

#### *Modified Accrual*

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

### FINANCIAL STATEMENT AMOUNTS

#### Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On the second Monday in April, the City Manager submits to the City Commission a proposed operating budget for the ensuing fiscal year commencing July 1 in accordance with the City Charter. The operating budget includes proposed expenditures and the means of financing them.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

2. Prior to its adoption, a public hearing is conducted at City Hall to obtain taxpayer comments.
3. Not later than the first Monday in May, the budget is adopted by the City Commission in accordance with the provisions of the City Charter.
4. The City Commission adopts the budget by functional categories in the general fund and by total fund level for special revenue funds. Any transfers of appropriations between functions must be approved by the City Commission. All unencumbered and unexpended appropriations lapse at year end.
5. Formal budgetary integration is employed as a management control device for the general fund and all special revenue funds. The budgets for the capital projects and enterprise funds are informational summaries only and are not covered under the City's General Appropriations Act or the State's Public Act 621.
6. The City Commission has the authority to amend the budget when it becomes apparent that deviations in the original budget will occur and the amount of the deviation can be determined. Once originally adopted, the budget was formally amended during the fiscal year.
7. The legally adopted budgets and informational budget summaries for the funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) as applicable to each funds method of accounting.

Cash Equivalents

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Inventory

Inventory costs are recorded as expenditures when incurred.

Capital Assets

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Other costs incurred for repairs and maintenance are expenses as incurred.

Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:



## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

	Depreciation Life – Years
Buildings and improvements	40 – 50
Land improvements	20 – 30
Plants, hydrants and tank	50 – 60
Water, sewer mains and meters	10 – 50
Equipment and Vehicles	5 – 15
Infrastructure	20 – 50

GASB No. 34 requires the City to report and depreciate new infrastructure assets placed in service after July 1, 2003. Infrastructure assets include roads, bridges, traffic signals, etc. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is optional for the City under GASB No. 34 and the City has elected not to retroactively report infrastructure assets prior to July 1, 2003.

### Long-Term Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using straight line amortization. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt received, are reported as debt service.

### Property Taxes

Property taxes attach as an enforceable lien on property as of July 1. Taxes are levied not later than July 1 and are payable by August 20 without penalty.

The City bills and collects its own property taxes and also the taxes for the local school district, the intermediate school district, and the county. Collections of local school taxes, intermediate school district taxes, and county taxes and remittance of them are accounted for in the Trust and Agency Fund. City property tax revenues are recognized when levied to the extent that they result in current receivables.

### Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City of Munising because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

### Interfund Activity

During the course of its operations, the City has numerous transactions between funds to finance operations, to provide services, construct assets and service debt. To the extent that certain transactions between funds had not been paid or received as of fiscal year end, balances of interfund accounts receivable or payable have been recorded and are subject to elimination upon consolidation.

Noncurrent portions of long-term interfund loans receivable are equally offset by a fund balance reserve account which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

### Compensated Absences

The City accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and affect the disclosure of contingent assets and liabilities at the date of financial statements. These estimates and assumptions also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### Implementation of New Accounting Principles

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* (GASB No. 34). Certain of the significant changes in the Statement include the following:

- For the first time the financial statements include:
  - A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.
  - Financial statements prepared using full accrual accounting for all of the City's activities, including infrastructure (e.g. streets, bridges and sidewalks)
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

## NOTE B - INDIVIDUAL COMPONENT UNIT DISCLOSURES:

### Discretely Presented Component Units

The component unit column in the Statement of Net Assets includes the financial data for the Downtown Development Authority/TIF District, the Landfill Authority, and the Alger Parks and

NOTE B - INDIVIDUAL COMPONENT UNIT DISCLOSURES (Continued):

Recreation Department. They are reported in a separate column to emphasize that they are legally separate from the City. The purpose of the Downtown Development Authority/TIF entity is to foster development of the Downtown Business District. The purpose of the Landfill Authority is to control revenues and incur expenditures in connection with the Munising Landfill Closure. The purpose of the Alger Parks and Recreation Department is to provide a full-time, year-round, broad based recreation program to the residents of the City and surrounding townships.

The presentation of the financial statements of the Downtown Development Authority/TIF district, the Landfill Authority, and the Alger Parks and Recreation Department are complete, and there is no separately issued report for these entities.

In accordance with the provisions of GASB Statement 14, certain other governmental organizations are not considered to be part of the reporting entity for financial reporting purposes. The criteria established for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements of the Munising Housing Commission and the Munising Public Schools are not included in the financial statements of the City.

NOTE C - DEPOSITS AND INVESTMENTS:

Deposits and investments from all funds are combined and deposited together to the extent allowable in common demand accounts and a municipal investment fund. It was not possible to separate the municipal investment fund balance by fund on the combined balance sheet, therefore, these balances are included in cash and cash equivalents.

The composition of cash and equivalents reported on the statement of net assets are as follows:

	Primary Government	Component Unit	Fiduciary Funds	Reporting Entity
Cash and equivalents	\$1,078,893	\$201,383	\$176,148	\$1,456,424
Cash – reserved	310,724	148,464	-	459,188
Restricted assets	<u>654,772</u>	<u>-</u>	<u>-</u>	<u>654,772</u>
TOTALS	<u>2,044,389</u>	<u>349,847</u>	<u>176,148</u>	<u>2,570,384</u>
A summary of deposits by type are:				
Cash in demand accounts	\$ 34,786	\$ -	\$ -	\$ 34,786
Cash in savings accounts	2,009,453	349,847	176,087	2,535,387
Petty Cash	<u>150</u>	<u>-</u>	<u>61</u>	<u>211</u>
TOTAL DEPOSITS	<u>\$2,044,389</u>	<u>\$349,847</u>	<u>\$176,148</u>	<u>\$2,570,384</u>

At year end, the reporting entity's total cash and equivalents bank balance was \$2,662,417 of which \$335,511 was insured by the Federal Deposit Insurance Corporation (FDIC) regulation number 330.8. The remaining balance of \$2,326,906 was uninsured and uncollateralized. This regulation in summary provides that deposits of a governmental unit are insured for the lesser of the amount of the combined deposit or \$100,000 in every financial institution that is not a branch location that is a member of the FDIC in the following deposit accounts:

## NOTE C - DEPOSITS AND INVESTMENTS (Continued):

1. All demand, non-interest bearing accounts in the name of the authorized or statutory custodian of public funds.
2. All savings deposits which include regular passbook, daily interest savings and time certificates of deposit in the name of the governmental unit's custodian.
3. Each bookholder is insured pro-rata for the lesser of the amount on deposit in the debt retirement account or \$100,000. Each separate debt issue or debt series is similarly insured.
4. The demand accounts and savings accounts as defined in items 1 and 2 above for those bank accounts in the name of a specific fund when all of the following criteria is applicable.
  - a. The fund is created by a specific State statute.
  - b. The functions of the fund are specified by State statute.
  - c. Money is allocated by State statute for the exclusive use of that fund and statutory function.

### Surplus Funds

Michigan Compiled Laws, Section 129.91, authorizes the City to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated to two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

### Local Unit Authorization

The City has designated local banks for the deposit of City funds. The investment policy as required by Act 1996 PA 1997 has been adopted by the Board.

**\*\* Note:** The reporting entity has no investments as of June 30, 2004\*\*

Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

## NOTE D - RESTRICTED ASSETS:

### General Fund

**Reserved Cash** -The account represents the unspent portion of the 1996 General Obligation Limited Tax Bonds and cash collected from property taxes for street construction. The purpose of the bond issue is to fund the City's portion of the costs for closure and post closure care of the local landfill. The bond reserve balance as of June 30, 2004 is \$78,297.

The street construction reserve balance as of June 30, 2004 is \$232,427.

NOTE D - RESTRICTED ASSETS (Continued):

Sewer Fund

*Construction* - This account represents the cash collected from utility users to fund the infrastructure repairs on the sewer system as mandated by the Department of Environmental Quality. The June 30, 2004 balance is \$466,262.

Water Fund

*Construction* - This account represents the cash collected from utility users to fund the infrastructure repairs on the water system. The June 30, 2004 balance is \$97,436.

Under ordinance 1999-01, which authorized the issuance of the Water Supply System Revenue Refunding Bonds, the City is required to maintain the following cash reserves in the Water Fund:

*Bond Interest and Redemption Fund* - Money in this account is reserved for the current years principal and interest payments on the Water Supply System Revenue bonds. The June 30, 2004 balance is \$71,853.

*Water System Reserve* - This reserve was established to accumulate money solely for the purpose of making principal and interest payments in the event of default by the City. The June 30, 2004 balance is \$5,120.

Marina Fund

*Funded Depreciation* - This account was established to reserve cash in an amount equal to the yearly depreciation expense for the purpose of funding future asset purchases. The June 30, 2004 balance is \$14,101.

NOTE E - INTERFUND RECEIVABLES AND PAYABLES:

The amounts of interfund receivables and payables are as follows:

	<u>Receivables</u>		<u>Payable</u>
General Fund	\$154,853	DDA – Component Unit	\$ 91,921
		Water	3,570
		Tax Collection	57,162
		Marina	<u>2,200</u>
Subtotal	<u>154,853</u>	Subtotal	<u>154,853</u>
Water	38,052	General	2,015
		Sewer	<u>36,037</u>
Subtotal	<u>38,052</u>	Subtotal	<u>38,052</u>
Substandard Housing	<u>2,032</u>	General	<u>2,032</u>
DDA – Component Unit	<u>41,245</u>	Tax Collection	<u>41,245</u>
TOTAL – REPORTING ENTITY	<u>\$236,182</u>	TOTAL - REPORTING ENTITY	<u>\$236,182</u>

NOTE E - INTERFUND RECEIVABLES AND PAYABLES (Continued):

All internal balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE F - ADVANCES TO/FROM OTHER FUNDS:

The following amounts are interfund advances of a long-term nature between funds:

<u>Fund</u>	<u>Advances From</u>	<u>Fund</u>	<u>Advances To</u>
General Fund	<u>\$20,030</u>	Water Fund	<u>\$20,030</u>

NOTE G – CAPITAL ASSETS:

A summary of changes in governmental activities capital assets including internal service funds capital assets is as follows:

	<u>Balance at 07/01/03</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at 6/30/04</u>
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 43,945	\$ -	\$ 43,945
Capital assets being depreciated:				
Land improvements	32,000	-	-	32,000
Buildings and improvements	486,000	-	-	486,000
Infrastructure	-	143,216	-	143,216
Equipment and vehicles	<u>2,265,430</u>	<u>19,891</u>	<u>201,406</u>	<u>2,083,915</u>
Total Capital Assets	<u>2,783,430</u>	<u>207,052</u>	<u>201,406</u>	<u>2,789,076</u>
Less accumulated depreciation:				
Land improvements	32,000	-	-	32,000
Buildings and improvements	444,750	3,750	-	448,500
Infrastructure	-	2,387	-	2,387
Equipment and vehicles	<u>1,137,496</u>	<u>180,776</u>	<u>201,406</u>	<u>1,116,866</u>
Total Accumulated Depreciation	<u>1,614,246</u>	<u>186,913</u>	<u>201,406</u>	<u>1,599,753</u>
Capital Assets, net	<u>\$1,169,184</u>	<u>\$ 20,139</u>	<u>\$ -</u>	<u>\$1,189,323</u>

Depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

Governmental Activities:	
General government	\$ 6,137
Internal service funds charged to above activities	<u>180,776</u>
Total Depreciation Expense – Governmental Activities	<u>\$186,913</u>

# NOTE G – CAPITAL ASSETS (Continued):

A summary of changes in business-type activities capital assets is as follows:

	Balance at 07/01/03	Additions	Disposals	Balance at 6/30/04
Capital assets not being depreciated:				
Land	\$ 12,275	\$ -	\$ -	\$ 12,275
Capital assets being depreciated:				
Sewer plant and equipment	4,786,416	314,364	-	5,100,780
Water plant and equipment	4,811,809	166,743	-	4,978,552
Marina and Harbor Master building	1,123,149	7,140	-	1,130,289
Total Capital Assets	10,733,649	488,247	-	11,221,896
Less accumulated depreciation:				
Sewer plant and equipment	1,934,246	133,055	-	\$2,067,301
Water plant and equipment	2,228,346	98,498	-	2,326,844
Marina and Harbor Master building	205,998	50,392	-	256,390
Total Accumulated Depreciation	4,368,590	281,945	-	4,650,535
Capital Assets, net	\$6,365,059	\$206,302	\$ -	\$6,571,361

Depreciation expense for the business-type activities was charged to the following functions and activities of the primary government:

Business-Type Activities:	
Sewer system	\$133,055
Water system	98,498
Marina	50,392
Total Depreciation Expense – Business-Type Activities	\$281,945

## NOTE H - INTERFUND TRANSFERS IN AND TRANSFERS OUT:

The interfund transfers for the year are as follows:

Fund	Transfer In	Fund	Transfer Out
General	\$103,483	Motor Pool	\$102,809
		Public Improvement	674
Subtotal	103,483	Subtotal	103,483
Local Street	286,637	General	315,502
Alger Parks and Recreation	22,929		
DDA	5,936		
Subtotal	315,502	Subtotal	315,502
Local Street	39,078	Major Street	39,078
TOTAL	\$458,063	TOTAL	\$458,063

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

# NOTE I - LONG-TERM DEBT:

The following is a summary of long-term debt transactions of the primary government and all component units for the year ended June 30, 2004:

<u>Description</u>	<u>Balance July 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30</u>
<b>PRIMARY GOVERNMENT:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
State Infrastructure Bank Note Payable, payable In seven annual installments of \$16,627 and bearing interest of 4.00%	\$ 74,241	\$ -	\$ 13,657	\$ 60,584
Transportation Fund Bonds; 1994D issue maturing serially to 2008 in annual amounts of \$5,000 to \$10,000 and bearing interest from 5.35% to 8.00%	35,000	-	10,000	25,000
Transportation Fund Bonds, 1993C issue maturing serially to 2008 in annual variable amounts and bearing interest from 2.8% to 5.8%	115,000	-	15,000	100,000
1996 General Obligation Limited Tax Bonds maturing serially to 2017 in annual amounts of \$25,000 to \$55,000 and bearing interest from 4.95% to 5.75%	525,000	-	25,000	500,000
1999-2000 Fire truck loan payable bearing interest of 4.75%	59,000	-	5,000	54,000
Subtotal	<u>808,241</u>	<u>-</u>	<u>68,657</u>	<u>739,584</u>
Accrued Sick & Vacation	<u>137,845</u>	<u>-</u>	<u>55,772</u>	<u>82,073</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>946,086</u>	<u>-</u>	<u>124,429</u>	<u>821,657</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
1991 Sewage Disposal System Revenue Bonds maturing serially to 2010 in annual amounts of \$10,000 to \$50,000 and bearing interest of 6.125%	295,000	-	30,000	265,000
1999 Water Supply system Revenue Refunding Bonds maturing serially to 2019 in annual amounts of \$25,000 to \$50,000 and bearing interest of 4.81%	<u>640,000</u>	<u>-</u>	<u>30,000</u>	<u>610,000</u>
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<u>935,000</u>	<u>-</u>	<u>60,000</u>	<u>875,000</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>1,881,086</u>	<u>-</u>	<u>184,429</u>	<u>1,696,657</u>



# NOTE I - LONG-TERM DEBT (Continued):

<u>Description</u>	<u>Balance July 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30</u>
DISCRETELY PRESENTED COMPONENT UNITS:				
1993 Downtown Development General Obligation Bonds maturing serially to 2007 in annual amounts of \$10,000 to \$100,000 and bearing interest of 3.25% to 5.75%	\$ 400,000	\$ -	\$100,000	\$ 300,000
TOTAL DISCRETELY PRESENTED COMPONENT UNITS	400,000	-	100,000	300,000
TOTAL REPORTING ENTITY	<u>\$2,281,086</u>	<u>\$ -</u>	<u>\$284,429</u>	<u>\$1,996,657</u>

## Debt Service Requirements

The annual requirements to pay principal and interest based on debt outstanding at June 30, 2004 (exclusive of accrued sick and vacation) for the City are as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
Fiscal	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$64,204	\$38,450	\$60,000	\$44,462	\$124,204	\$82,912
2006	74,772	34,939	65,000	38,798	139,772	73,737
2007	80,363	31,120	70,000	35,750	150,363	66,870
2008	76,245	26,961	70,000	32,521	146,245	59,482
2009	65,000	22,777	75,000	29,515	140,000	52,292
Thereafter	<u>379,000</u>	<u>90,401</u>	<u>535,000</u>	<u>132,153</u>	<u>914,000</u>	<u>222,554</u>
TOTALS	<u>\$739,584</u>	<u>\$244,648</u>	<u>\$875,000</u>	<u>\$313,199</u>	<u>\$1,614,584</u>	<u>\$557,847</u>

  

	<u>Discrete Component Units</u>		<u>Total Reporting Entity</u>	
Fiscal	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$100,000	\$16,950	\$224,204	\$99,862
2006	100,000	11,400	239,772	85,137
2007	100,000	5,750	250,363	72,620
2008	-	-	146,245	59,482
2009	-	-	140,000	52,292
Thereafter	<u>-</u>	<u>-</u>	<u>914,000</u>	<u>222,554</u>
TOTALS	<u>\$300,000</u>	<u>\$34,100</u>	<u>\$1,914,584</u>	<u>\$591,947</u>

## Compensated Absences

The City's employment policies provide for vacation and sick leave benefits to be earned in varying amounts depending on the employee's years of service.

The following is a summary of compensated absences:

Current portion	\$28,859
Long-term portion	<u>82,073</u>
Total	<u>\$110,932</u>

## NOTE K - DEFINED BENEFIT PENSION PLAN:

The following information is based upon the latest available actuarial valuation (as of December 31, 2003).

### Plan Description

The City contributes to the Michigan Municipal Employees Retirement System ("System"), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for all Michigan municipal employees. The System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

The qualified employees of the Police Department and the Fire Department along with all other full-time employees of the City are eligible to participate in the System. Benefits vest after ten years of service. City employees who retire at or after the age of 55 with 25 years of credited service are entitled to an annual retirement benefit, payable monthly for life. Qualified employees receive a monthly payment equal to 2.25 percent of final average compensation, with a maximum benefit of 80% of final average compensation. The System also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute and City ordinance.

### Funding Policy

City employees are required to contribute -0- percent of their annual compensation to the System. The City is required to contribute the remaining amounts necessary to fund the System, using the actuarial basis specified by statute.

### Annual Pension Cost

For the year ended June 30, 2004, the City's annual pension cost of \$107,928 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2001 using the entry age normal cost method. Significant actuarial assumptions used include an 8.0% investment rate of return and projected salary increases of 4.5% per year. The actuarial value of assets is determined on the basis of a valuation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value. Unfunded actuarial accrued liabilities are amortized by level percent of payroll contributions over a period ranging from 30 to 37 years.

### Analysis of Funding Progress Three-Year Trend Information

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)- Entry Age (a)	Actuarial Value of Assets (b)	Unfunded AAL (UAAL) (a) - (b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
12/31/01	\$4,240,841	\$4,030,902	\$209,939	95%	\$1,015,684	21%
12/31/02	4,710,390	4,082,118	628,272	87%	1,144,688	55%
12/31/03	4,679,512	4,345,346	334,166	93%	1,061,763	31%

NOTE K - DEFINED BENEFIT PENSION PLAN (Continued):

Schedule of Employer Contributions

<u>Fiscal Year Ending</u>	<u>Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2002	12/31/99	\$93,488	100%	-
6/30/2003	12/31/00	96,916	100%	-
6/30/2004	12/31/01	107,928	100%	-

NOTE L - CONTINGENT LIABILITIES:

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City currently participates with other municipalities in the Michigan Municipal Liability and Property Pool, a public entity risk pool operating as a common risk management and insurance program. The City pays an annual premium for its general liability and real and personal property protection. The Pool will be self-sustaining through member premiums and will pay for losses sustained in excess of specified deductible amounts.

The City continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Landfill Closure

Through 1991, the City, area municipalities and other entities operated a local landfill. The landfill is closed, and now it is undergoing the post closure process. Necessary costs are being paid by the users in proportion to the amount of tonnage disposed at the landfill. The City's portion was estimated at 26.25% of the total.

The costs of closure are approximated at \$2,256,000. Based on the distribution of 26.25%, the City would be responsible for \$592,000 of this amount. This amount includes engineering and design of the cap, construction of the cap and hydro geological study. The City issued \$650,000 in bonds during fiscal year 1996-1997 to finance its share of the costs. No further costs associated with the closure process are expected.

The post closure costs associated with contingency reserves and 30 years of monitoring and maintenance are estimated at \$836,000 with the City's portion being \$220,000. These costs are to be paid as incurred as part of the City's general operating budget. During the year the City paid \$-0- for these post closure costs. The Landfill is in year five of the post closure period.

Wastewater System

The City has been cited by the Department of Environmental Quality (DEQ) for five violations of State Acts resulting from deficiencies in its wastewater collection system. The City is currently taking action to remedy the situation. Inaction raises the potential for imposition of fines and penalties by the DEQ.

NOTE K - DEFINED BENEFIT PENSION PLAN (Continued):

The City prepared a five year plan documenting how it plans to address these issues. On an on-going basis, revisions/updates to this plan will be submitted to DEQ as well as reports on projects undertaken in accordance with this plan.

NOTE M – BUDGET VIOLATIONS:

Public Act 621 of 1978, Section 18(1), as amended, provides that a City shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the General and Special Revenue Funds have been shown on a functional basis.

The approved budgets of the City for the General and Special Revenue Funds were adopted on an activity and/or program level. During the year ended June 30, 2004, the City incurred functional expenditures which were in excess of the amounts appropriated as follows:

<u>Fund</u>	<u>Final Amended Budget</u>	<u>Expenditures</u>	<u>Variance</u>
General Fund:			
Legislative	\$9,300	\$11,436	\$(2,136)
General government	397,117	418,840	(21,723)
Public safety	487,679	496,877	(9,198)
Parks and recreation	76,900	100,650	(23,750)
Major Street Fund:			
Winter maintenance	112,300	117,837	(5,537)
Highway M-28	74,975	98,036	(23,061)
Local Street Fund:			
Routine maintenance	73,300	78,005	(4,705)
Street/catch basin clearing	27,500	30,090	(2,590)
Winter maintenance	114,830	162,573	(47,743)

NOTE N - DEFERRED COMPENSATION PLAN:

The City of Munising offers its employees deferred compensation plans created in accordance with the Internal Revenue Code, Section 457. The plans are available to all City employees, and permit them to defer a portion of their current earnings until the employee's termination, retirement, death or unforeseeable emergency.

Due to changes in the Internal Revenue Code, the Plan's assets are considered to be property of the Plan's participants and are no longer subject to the City's general creditors. Therefore in accordance with the provisions of GASB Statement No. 32, Plan balances and activities are not reflected in these financial statements.

The Plan's participants have the right to designate how the funds will be invested. Accordingly, the City has no liability for losses under the Plan. The Plan's assets are held in trust for the exclusive benefit of the Plan's participants and their beneficiaries.

NOTE N - DEFERRED COMPENSATION PLAN (Continued):

The City's plans are administered by the International City Manager's Association (ICMA), and the Variable Annuity Life Insurance Company (VALIC). ICMA, as Plan administrator, agrees to hold harmless and indemnify the City, its appointed and elected officers and participating employees from any loss resulting from ICMA or their respective agents' failure to perform their duties and services pursuant to the ICMA program.

## Required Supplementary Information

# City of Munising, Michigan

## MAJOR GOVERNMENTAL FUNDS

### **GENERAL FUND**

The function of the General Fund is to record all revenues and expenditures of the City which are not accounted for in other funds. The General Fund receives revenue from many sources which are used to finance a wide range of City activities.

The major activities financed by the General Fund are Fire and Police Protection, Public Works, Parks and Recreation, City Administration and most public services.

The modified accrual basis of accounting is used in recording General Fund transactions.

### **SPECIAL REVENUE FUNDS**

The function of the Special Revenue Funds is to record revenue and expenditures for specific functions or activities within restrictions imposed by City Charter, ordinances, resolutions and/or Federal and State statutes.

**MAJOR STREET AND LOCAL STREET FUND:** Michigan's Act 51 of 1993, as amended, allocates gasoline and weight taxes to build and maintain roads, roadsides and storm sewers and to remove snow from and to control traffic along roads. These tax monies may be transferred between funds only as permitted by law. Other revenues include general taxes transferred from the General Fund. Within the City, Federal and State trunklines and certain "mile" roads are maintained by the City under contractual agreement with the State of Michigan and are subject to reimbursement to the City. The remaining mile roads and certain other roads are designated as MAJOR STREETS, maintained on a priority basis by the City, and the remaining roads are designated as LOCAL STREETS.

**City of Munising, Michigan**

**GENERAL FUND**

**BUDGETARY COMPARISON SCHEDULE**

For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP	Final Budget
			Basis	Positive
				(Negative)
<b>REVENUES:</b>				
Property taxes	\$ 1,131,523	\$ 1,131,523	\$ 1,121,968	\$ (9,555)
Licenses and permits	28,750	28,750	29,124	374
Intergovernmental revenues	336,200	336,200	375,510	39,310
Charges for services	116,250	116,250	161,121	44,871
Fines and forfeits	9,000	9,000	1,177	(7,823)
Interest income	16,600	16,600	12,566	(4,034)
Other revenues	52,646	52,646	79,864	27,218
<b>TOTAL REVENUES</b>	<b>1,690,969</b>	<b>1,690,969</b>	<b>1,781,330</b>	<b>90,361</b>
<b>EXPENDITURES:</b>				
Legislative	9,300	9,300	11,436	(2,136)
General government	397,117	397,117	421,398	(24,281)
Public safety	487,679	487,679	499,413	(11,734)
Public works	466,300	466,300	452,030	14,270
Parks and recreation	76,900	76,900	101,460	(24,560)
Debt service	53,413	53,413	53,413	-
<b>TOTAL EXPENDITURES</b>	<b>1,490,709</b>	<b>1,490,709</b>	<b>1,539,150</b>	<b>(48,441)</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>200,260</b>	<b>200,260</b>	<b>242,180</b>	<b>41,920</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	103,609	103,609	103,483	(126)
Operating transfers out	(303,869)	(303,869)	(315,502)	(11,633)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(200,260)</b>	<b>(200,260)</b>	<b>(212,019)</b>	<b>(11,759)</b>
<b>CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>30,161</b>	<b>30,161</b>
Fund balance, beginning of year	586,462	586,462	586,462	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 586,462</b>	<b>\$ 586,462</b>	<b>\$ 616,623</b>	<b>\$ 30,161</b>



**City of Munising, Michigan**

**MAJOR SPECIAL REVENUE FUNDS**

**BUDGETARY COMPARISON SCHEDULE**

For the Fiscal Year Ended June 30, 2004

	MAJOR STREET FUND				LOCAL STREET FUND			
	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
<b>REVENUES:</b>								
Intergovernmental revenue	\$ 270,000	\$ 270,000	\$ 311,414	\$ 41,414	\$ 85,000	\$ 85,000	\$ 81,316	\$ (3,684)
Interest income	2,800	2,800	1,425	(1,375)	350	350	328	(22)
<b>TOTAL REVENUES</b>	<b>272,800</b>	<b>272,800</b>	<b>312,839</b>	<b>40,039</b>	<b>85,350</b>	<b>85,350</b>	<b>81,644</b>	<b>(3,706)</b>
<b>EXPENDITURES:</b>								
Public works	271,345	271,345	278,229	(6,884)	370,980	370,980	414,864	(43,884)
Debt Service	49,860	49,860	49,860	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>321,205</b>	<b>321,205</b>	<b>328,089</b>	<b>(6,884)</b>	<b>370,980</b>	<b>370,980</b>	<b>414,864</b>	<b>(43,884)</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(48,405)</b>	<b>(48,405)</b>	<b>(15,250)</b>	<b>33,155</b>	<b>(285,630)</b>	<b>(285,630)</b>	<b>(333,220)</b>	<b>(47,590)</b>
<b>OTHER FINANCING SOURCES (USES):</b>								
Operating transfers in	-	-	-	-	280,000	280,000	325,715	45,715
Operating transfers out	-	-	(39,078)	(39,078)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>(39,078)</b>	<b>(39,078)</b>	<b>280,000</b>	<b>280,000</b>	<b>325,715</b>	<b>45,715</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(48,405)</b>	<b>(48,405)</b>	<b>(54,328)</b>	<b>(5,923)</b>	<b>(5,630)</b>	<b>(5,630)</b>	<b>(7,505)</b>	<b>(1,875)</b>
Fund balance, beginning of year	111,323	111,323	111,323	-	7,505	7,505	7,505	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 62,918</b>	<b>\$ 62,918</b>	<b>\$ 56,995</b>	<b>\$ (5,923)</b>	<b>\$ 1,875</b>	<b>\$ 1,875</b>	<b>\$ -</b>	<b>\$ (1,875)</b>

# Combining and Individual Fund Financial Statements

**City of Munising, Michigan**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Property Taxes:			
Property taxes	\$ 1,102,573	\$ 1,093,355	\$ (9,218)
Penalties, interest and fees	28,800	28,485	(315)
Trailer taxes	150	128	(22)
Total Property Taxes	<u>1,131,523</u>	<u>1,121,968</u>	<u>(9,555)</u>
Licenses and Permits:			
Business licenses and franchises	28,000	28,504	504
Other licenses and permits	750	620	(130)
Total Licenses and Permits	<u>28,750</u>	<u>29,124</u>	<u>374</u>
Intergovernmental Revenue:			
Payments in lieu of taxes	11,200	9,771	(1,429)
State revenue sharing	325,000	365,739	40,739
Other	-	-	-
Total Intergovernmental Revenue	<u>336,200</u>	<u>375,510</u>	<u>39,310</u>
Charges for Services:			
Industrial park leases	3,400	14,402	11,002
Tourist park fees	78,600	112,038	33,438
Solid waste disposal tags	34,250	34,681	431
Total Charges for Services	<u>116,250</u>	<u>161,121</u>	<u>44,871</u>
Fines and forfeits	9,000	1,177	(7,823)
Interest income	16,600	12,566	(4,034)
Other Miscellaneous Revenue:			
Special assessments	5,806	-	(5,806)
Cemetery lots	20,000	22,511	2,511
Private contributions	5,000	15,000	10,000
Local contributions	10,000	-	(10,000)
Other	11,840	42,353	30,513
Total Other Miscellaneous Revenue	<u>52,646</u>	<u>79,864</u>	<u>27,218</u>
<b>TOTAL REVENUES</b>	<u>1,690,969</u>	<u>1,781,330</u>	<u>90,361</u>

**City of Munising, Michigan**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>EXPENDITURES:</b>			
<b>LEGISLATIVE:</b>			
Personnel services	\$ 3,100	\$ 3,259	\$ (159)
Supplies	200	528	(328)
Other services and charges	6,000	7,649	(1,649)
Capital outlay	-	-	-
<b>TOTAL LEGISLATIVE</b>	<u>9,300</u>	<u>11,436</u>	<u>(2,136)</u>
<b>GENERAL GOVERNMENT:</b>			
Executive:			
Personnel services	80,050	75,270	4,780
Supplies	1,000	1,071	(71)
Other services and charges	11,000	15,376	(4,376)
Capital outlay	350	761	(411)
<b>Total Executive</b>	<u>92,400</u>	<u>92,478</u>	<u>(78)</u>
Elections:			
Personnel services	2,500	379	2,121
Supplies	600	136	464
Other services and charges	2,200	778	1,422
Capital outlay	2,150	-	2,150
<b>Total Elections</b>	<u>7,450</u>	<u>1,293</u>	<u>6,157</u>
Legal and Accounting:			
Personnel services	-	-	-
Supplies	2,500	9,054	(6,554)
Other services and charges	24,500	29,811	(5,311)
Capital outlay	-	-	-
<b>Total Legal and Accounting</b>	<u>27,000</u>	<u>38,865</u>	<u>(11,865)</u>
Assessor:			
Personnel services	-	-	-
Supplies	100	25	75
Other services and charges	13,330	14,319	(989)
Capital outlay	-	-	-
<b>Total Assessor</b>	<u>13,430</u>	<u>14,344</u>	<u>(914)</u>
Clerk:			
Personnel services	62,167	59,526	2,641
Supplies	4,000	3,566	434
Other services and charges	30,080	44,735	(14,655)
Capital outlay	2,000	767	1,233
<b>Total Clerk</b>	<u>98,247</u>	<u>108,594</u>	<u>(10,347)</u>

**City of Munising, Michigan**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>Board of Review:</b>			
Personnel services	\$ 300	\$ 348	\$ (48)
Supplies	50	-	50
Other services and charges	100	130	(30)
Capital outlay	-	-	-
<b>Total Board of Review</b>	<b>450</b>	<b>478</b>	<b>(28)</b>
<b>Treasurer:</b>			
Personnel services	54,250	42,818	11,432
Supplies	750	1,107	(357)
Other services and charges	11,240	13,708	(2,468)
Capital outlay	1,500	762	738
<b>Total Treasurer</b>	<b>67,740</b>	<b>58,395</b>	<b>9,345</b>
<b>Cemetery:</b>			
Personnel services	45,000	46,482	(1,482)
Supplies	1,500	2,615	(1,115)
Other services and charges	18,500	16,012	2,488
Capital outlay	3,000	3,706	(706)
<b>Total Cemetery</b>	<b>68,000</b>	<b>68,815</b>	<b>(815)</b>
<b>Other General Government:</b>			
Insurance	11,000	23,152	(12,152)
Other miscellaneous services and charges	11,400	14,984	(3,584)
<b>Total Other General Government</b>	<b>22,400</b>	<b>38,136</b>	<b>(15,736)</b>
<b>TOTAL GENERAL GOVERNMENT</b>	<b>397,117</b>	<b>421,398</b>	<b>(24,281)</b>
<b>PUBLIC SAFETY:</b>			
<b>Police Department:</b>			
Personnel services	386,919	358,333	28,586
Supplies	3,200	4,696	(1,496)
Other services and charges	36,560	36,928	(368)
Capital outlay	4,000	3,149	851
<b>Total Police Department</b>	<b>430,679</b>	<b>403,106</b>	<b>27,573</b>
<b>Fire Department:</b>			
Personnel services	-	45,402	(45,402)
Supplies	10,100	1,834	8,266
Other services and charges	41,700	44,653	(2,953)
Capital outlay	-	-	-
<b>Total Fire Department</b>	<b>51,800</b>	<b>91,889</b>	<b>(40,089)</b>
<b>Planning:</b>			
Personnel services	4,200	3,825	375
Supplies	50	3	47
Other services and charges	950	590	360
Capital outlay	-	-	-
<b>Total Planning</b>	<b>5,200</b>	<b>4,418</b>	<b>782</b>
<b>TOTAL PUBLIC SAFETY</b>	<b>487,679</b>	<b>499,413</b>	<b>(11,734)</b>

**City of Munising, Michigan**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>PUBLIC WORKS:</b>			
Public Works Department:			
Personnel services	\$ 263,850	\$ 274,698	\$ (10,848)
Supplies	7,750	7,652	98
Other services and charges	109,700	113,833	(4,133)
Capital outlay	40,000	-	40,000
Total Public Works Department	<u>421,300</u>	<u>396,183</u>	<u>25,117</u>
Sanitation and Refuse Collection:			
Other services and charges	45,000	55,847	(10,847)
Total Sanitation and Refuse Collection	<u>45,000</u>	<u>55,847</u>	<u>(10,847)</u>
<b>TOTAL PUBLIC WORKS</b>	<u>466,300</u>	<u>452,030</u>	<u>14,270</u>
<b>PARKS AND RECREATION:</b>			
Parks and Recreation Department:			
Personnel services	9,800	8,128	1,672
Supplies	550	1,746	(1,196)
Other services and charges	11,500	11,755	(255)
Capital outlay	1,000	776	224
Total Parks and Recreation Department	<u>22,850</u>	<u>22,405</u>	<u>445</u>
Tourist Park:			
Personnel services	5,800	7,442	(1,642)
Supplies	1,000	889	111
Other services and charges	35,700	49,524	(13,824)
Capital outlay	2,000	2,962	(962)
Total Tourist Park	<u>44,500</u>	<u>60,817</u>	<u>(16,317)</u>
Ice Arena:			
Other services and charges	9,550	18,238	(8,688)
Total Ice Arena	<u>9,550</u>	<u>18,238</u>	<u>(8,688)</u>
<b>TOTAL PARKS AND RECREATION</b>	<u>76,900</u>	<u>101,460</u>	<u>(24,560)</u>
<b>DEBT SERVICE:</b>			
Principal payments	25,000	25,000	-
Interest and fiscal charges	28,413	28,413	-
<b>TOTAL DEBT SERVICE</b>	<u>53,413</u>	<u>53,413</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>1,490,709</u>	<u>1,539,150</u>	<u>(48,441)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>200,260</u>	<u>242,180</u>	<u>41,920</u>

**City of Munising, Michigan**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers in	\$ 103,609	\$ 103,483	\$ (126)
Operating transfers out	<u>(303,869)</u>	<u>(315,502)</u>	<u>(11,633)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(200,260)</u>	<u>(212,019)</u>	<u>(11,759)</u>
 <b>CHANGE IN FUND BALANCE</b>	 -	 30,161	 30,161
Fund balance, beginning of year	<u>586,462</u>	<u>586,462</u>	<u>-</u>
 <b>FUND BALANCE, END OF YEAR</b>	 <u><u>\$ 586,462</u></u>	 <u><u>\$ 616,623</u></u>	 <u><u>\$ 30,161</u></u>

**City of Munising, Michigan**

**MAJOR STREET FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>			
Intergovernmental revenue	\$ 270,000	\$ 311,414	\$ 41,414
Interest income	2,800	1,425	(1,375)
<b>TOTAL REVENUES</b>	<b>272,800</b>	<b>312,839</b>	<b>40,039</b>
<b>EXPENDITURES:</b>			
Public Works:			
Construction	-	-	-
Routine maintenance	48,500	34,646	13,854
Street/catch basin cleaning	29,900	25,430	4,470
Traffic services maintenance	4,370	1,190	3,180
Winter maintenance	112,300	117,837	(5,537)
General and administrative	1,300	1,090	210
Highway M-28	74,975	98,036	(23,061)
Total Public Works	271,345	278,229	(6,884)
Debt Service:			
Principal retirement	-	38,657	(38,657)
Interest and fiscal charges	49,860	11,203	38,657
Total Debt Service	49,860	49,860	-
<b>TOTAL EXPENDITURES</b>	<b>321,205</b>	<b>328,089</b>	<b>(6,884)</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(48,405)</b>	<b>(15,250)</b>	<b>33,155</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers in	-	-	-
Operating transfers (out)	-	(39,078)	(39,078)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>(39,078)</b>	<b>(39,078)</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(48,405)</b>	<b>(54,328)</b>	<b>(5,923)</b>
Fund balance, beginning of year	111,323	111,323	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 62,918</b>	<b>\$ 56,995</b>	<b>\$ (5,923)</b>



**City of Munising, Michigan**

**LOCAL STREET FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>			
Intergovernmental revenue	\$ 85,000	\$ 81,316	\$ (3,684)
Interest income	350	328	(22)
<b>TOTAL REVENUES</b>	<u>85,350</u>	<u>81,644</u>	<u>(3,706)</u>
<b>EXPENDITURES:</b>			
Public Works:			
Construction	150,000	143,216	6,784
Routine maintenance	73,300	78,005	(4,705)
Street/catch basin cleaning	27,500	30,090	(2,590)
Traffic services maintenance	4,250	133	4,117
Winter maintenance	114,830	162,573	(47,743)
General and administrative	1,100	847	253
<b>TOTAL EXPENDITURES</b>	<u>370,980</u>	<u>414,864</u>	<u>(43,884)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(285,630)</u>	<u>(333,220)</u>	<u>(47,590)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers in	280,000	325,715	45,715
Operating transfers (out)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>280,000</u>	<u>325,715</u>	<u>45,715</u>
<b>CHANGE IN FUND BALANCE</b>	<u>(5,630)</u>	<u>(7,505)</u>	<u>(1,875)</u>
Fund balance, beginning of year	<u>7,505</u>	<u>7,505</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ 1,875</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (1,875)</u></u>

# City of Munising, Michigan

## NONMAJOR GOVERNMENTAL FUNDS

### **SPECIAL REVENUE FUNDS**

The function of the Special Revenue Funds is to record revenues and expenditures for specific functions or activities within restrictions imposed by City Charter, ordinances, resolutions and/or Federal and State statutes. The modified accrual basis of accounting is used in recording Special Revenue Fund transactions. The POLICE TRAINING FUND and PUBLIC IMPROVEMENT FUND are nonmajor special revenue fund types.

### **PERMANENT FUNDS**

The function of Permanent Funds is to account for funds where only the interest earnings may be used. The principal cannot be spent. The accrual basis of accounting is used in recording Permanent Fund transactions. The CEMETERY FUND is a permanent fund type.

City of Munising, Michigan

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

June 30, 2004

	Special Revenue Funds			Permanent Funds	
	Police Training Fund	Public Improvement Fund	Total Special Revenue Funds	Cemetery Trust Fund	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 606	\$ -	\$ 606	\$ 35,862	\$ 36,468
Accounts receivable, net	-	-	-	-	-
Other assets	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 606</b>	<b>\$ -</b>	<b>\$ 606</b>	<b>\$ 35,862</b>	<b>\$ 36,468</b>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>LIABILITIES:</b>					
Accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred revenue	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE:</b>					
Reserved for:					
Cemetery Trust	-	-	-	35,862	35,862
Unreserved, reported in:					
Special revenue funds	606	-	606	-	606
<b>TOTAL FUND BALANCE</b>	<b>606</b>	<b>-</b>	<b>606</b>	<b>35,862</b>	<b>36,468</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>\$ 606</b>	<b>\$ -</b>	<b>\$ 606</b>	<b>\$ 35,862</b>	<b>\$ 36,468</b>

City of Munising, Michigan

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 2004

	Special Revenue Funds			Permanent Fund	Total
	Police Training Fund	Public Improvement Fund	Total Special Revenue Funds	Cemetery Trust Fund	
<b>REVENUES:</b>					
Intergovernmental revenue	\$ 1,327	\$ -	\$ 1,327	\$ -	\$ 1,327
Interest income	-	-	-	561	561
Other revenue	-	674	674	-	674
<b>TOTAL REVENUES</b>	<u>1,327</u>	<u>674</u>	<u>2,001</u>	<u>561</u>	<u>2,562</u>
<b>EXPENDITURES:</b>					
Current operations:					
Public safety	1,211	-	1,211	-	1,211
Public works	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>1,211</u>	<u>-</u>	<u>1,211</u>	<u>-</u>	<u>1,211</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>116</u>	<u>674</u>	<u>790</u>	<u>561</u>	<u>1,351</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	(674)	(674)	-	(674)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>(674)</u>	<u>(674)</u>	<u>-</u>	<u>(674)</u>
<b>CHANGE IN FUND BALANCE</b>	<u>116</u>	<u>-</u>	<u>116</u>	<u>561</u>	<u>677</u>
Fund balance, beginning of year	<u>490</u>	<u>-</u>	<u>490</u>	<u>35,301</u>	<u>35,791</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 606</u>	<u>\$ -</u>	<u>\$ 606</u>	<u>\$ 35,862</u>	<u>\$ 36,468</u>

**City of Munising, Michigan**

**POLICE TRAINING FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>			
Intergovernmental revenue	\$ 1,000	\$ 1,327	\$ 327
Other	-	-	-
<b>TOTAL REVENUES</b>	<u>1,000</u>	<u>1,327</u>	<u>327</u>
<b>EXPENDITURES:</b>			
Public Safety:			
Other services and charges	<u>1,000</u>	<u>1,211</u>	<u>(211)</u>
<b>TOTAL EXPENDITURES</b>	<u>1,000</u>	<u>1,211</u>	<u>(211)</u>
<b>CHANGE IN FUND BALANCE</b>	-	116	116
Fund balance, beginning of year	<u>490</u>	<u>490</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 490</u>	<u>\$ 606</u>	<u>\$ 116</u>

**City of Munising, Michigan**

**PUBLIC IMPROVEMENT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Intergovernmental revenue	\$ -	\$ -	\$ -
Interest income	-	-	-
Other	-	674	674
<b>TOTAL REVENUES</b>	<u>-</u>	<u>674</u>	<u>674</u>
<b>EXPENDITURES:</b>			
General government:			
Other services and charges	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	-	674	674
<b>OTHER FINANCING (USES):</b>			
Operating transfers out	-	(674)	(674)
<b>CHANGE IN FUND BALANCE</b>	-	-	-
Fund balance, beginning of year	-	-	-
<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

# City of Munising, Michigan

## ENTERPRISE FUNDS

The function of the Enterprise Funds is to record the financing, acquisition, operation and maintenance of City activities that are predominantly self-supporting from user charges. The accrual basis of accounting is used in recording Enterprise Fund transactions.

**City of Munising, Michigan**

**SEWER FUND**

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>OPERATING REVENUES:</b>			
Intergovernmental revenue	\$ -	\$ -	\$ -
Charges for services:			
Sales to customers	673,145	667,534	(5,611)
Repairs, taps and permits	5,000	2,866	(2,134)
Sewer improvements	123,000	123,033	33
Other	53,000	51,639	(1,361)
<b>TOTAL OPERATING REVENUES</b>	<u>854,145</u>	<u>845,072</u>	<u>(9,073)</u>
<b>OPERATING EXPENSES:</b>			
Sewer Collection:			
Personnel services	79,070	39,036	40,034
Supplies	4,000	1,909	2,091
Professional services	25,000	6,735	18,265
Other services and charges	333,000	15,282	317,718
Equipment rental	14,000	15,187	(1,187)
Total Sewer Collection	<u>455,070</u>	<u>78,149</u>	<u>376,921</u>
Sewer Treatment:			
Personnel services	324,900	303,176	21,724
Supplies	35,300	29,486	5,814
Professional services	42,600	37,078	5,522
Other services and charges	320,700	129,920	190,780
Equipment rental	12,000	10,404	1,596
Total Sewer Treatment	<u>735,500</u>	<u>510,064</u>	<u>225,436</u>
Administrative and General:			
Personnel services	17,100	19,947	(2,847)
Supplies	1,100	1,273	(173)
Professional services	31,200	627	30,573
Other services and charges	4,900	3,641	1,259
Total Administrative and General	<u>54,300</u>	<u>25,488</u>	<u>28,812</u>
Depreciation	110,000	133,055	(23,055)
<b>TOTAL OPERATING EXPENSES</b>	<u>1,354,870</u>	<u>746,756</u>	<u>608,114</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(500,725)</u>	<u>98,316</u>	<u>599,041</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest income	8,400	3,830	(4,570)
Interest expense	(20,300)	(19,515)	785
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(11,900)</u>	<u>(15,685)</u>	<u>(3,785)</u>
<b>CHANGE IN NET ASSETS</b>	<u>(512,625)</u>	<u>82,631</u>	<u>595,256</u>
Net assets, beginning of year	<u>3,168,794</u>	<u>3,168,794</u>	<u>-</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 2,656,169</u>	<u>\$ 3,251,425</u>	<u>\$ 595,256</u>



**City of Munising, Michigan**

**WATER FUND**

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004

	<u>Final Buget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>OPERATING REVENUES:</b>			
Intergovernmental revenue	\$ -	\$ -	\$ -
Charges for services:			
Sales to customers	365,500	367,211	1,711
Repairs, taps and permits	2,000	3,743	1,743
Water improvements	120,000	118,641	(1,359)
Other	900	486	(414)
<b>TOTAL OPERATING REVENUES</b>	<u>488,400</u>	<u>490,081</u>	<u>1,681</u>
<b>OPERATING EXPENSES:</b>			
Transmission and Distribution:			
Personnel services	209,440	147,940	61,500
Supplies	17,400	4,742	12,658
Professional services	10,000	17,935	(7,935)
Other services and charges	305,875	57,048	248,827
Equipment rental	26,000	37,752	(11,752)
Total Transmission and Distribution	<u>568,715</u>	<u>265,417</u>	<u>303,298</u>
Administrative and General:			
Personnel services	16,820	19,293	(2,473)
Supplies	1,200	1,398	(198)
Professional services	1,500	1,838	(338)
Other services and charges	8,070	3,304	4,766
Total Adminisitrative and General	<u>27,590</u>	<u>25,833</u>	<u>1,757</u>
Depreciation	<u>96,000</u>	<u>99,242</u>	<u>(3,242)</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>692,305</u>	<u>390,492</u>	<u>301,813</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(203,905)</u>	<u>99,589</u>	<u>303,494</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest income	5,800	5,994	194
Interest expense	<u>(60,165)</u>	<u>(30,165)</u>	<u>30,000</u>
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(54,365)</u>	<u>(24,171)</u>	<u>30,194</u>
<b>CHANGE IN NET ASSETS</b>	<u>(258,270)</u>	<u>75,418</u>	<u>333,688</u>
Net assets, beginning of year	<u>2,495,628</u>	<u>2,495,628</u>	<u>-</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 2,237,358</u></u>	<u><u>\$ 2,571,046</u></u>	<u><u>\$ 333,688</u></u>

**City of Munising, Michigan**

**MARINA FUND**

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004

	<u>Final Budget</u>	<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>OPERATING REVENUES:</b>			
Intergovernmental revenue	\$ -	\$ 9,330	\$ 9,330
Charges for services:			
Dock fees	47,500	51,462	3,962
Boat ramp fees	6,000	6,065	65
Gas sales and other	18,000	20,617	2,617
Other	-	188	188
<b>TOTAL OPERATING REVENUES</b>	<u>71,500</u>	<u>87,662</u>	<u>16,162</u>
<b>OPERATING EXPENSES:</b>			
Administrative and General:			
Personnel services	21,900	23,628	(1,728)
Supplies	15,300	20,808	(5,508)
Other services and charges	33,900	19,294	14,606
Total Administrative and General	<u>71,100</u>	<u>63,730</u>	<u>7,370</u>
Repairs and maintenance	4,000	1,556	2,444
Depreciation	48,000	50,392	(2,392)
<b>TOTAL OPERATING EXPENSES</b>	<u>123,100</u>	<u>115,678</u>	<u>7,422</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(51,600)</u>	<u>(28,016)</u>	<u>23,584</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest income	1,200	2,040	840
<b>TOTAL NONOPERATING REVENUES</b>	<u>1,200</u>	<u>2,040</u>	<u>840</u>
<b>CHANGE IN NET ASSETS</b>	<u>(50,400)</u>	<u>(25,976)</u>	<u>24,424</u>
Net assets, beginning of year	<u>1,032,539</u>	<u>1,032,539</u>	<u>-</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 982,139</u></u>	<u><u>\$ 1,006,563</u></u>	<u><u>\$ 24,424</u></u>

# City of Munising, Michigan

## INTERNAL SERVICE FUNDS

The function of Internal Service Funds is to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City and to other government units, on a cost reimbursement basis.

**City of Munising, Michigan**  
**ALL INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET ASSETS**

June 30, 2004

	<b>Motor Pool Fund</b>	<b>Municipal Building Authority Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 645,372	\$ 42,568	\$ 687,940
Other current assets	-	-	-
<b>TOTAL CURRENT ASSETS</b>	<u>645,372</u>	<u>42,568</u>	<u>687,940</u>
Noncurrent Assets:			
Long-term receivables	-	56,260	56,260
Construction in progress	43,945	-	43,945
Capital assets	2,083,915	-	2,083,915
Accumulated depreciation	(1,116,866)	-	(1,116,866)
<b>TOTAL NONCURRENT ASSETS</b>	<u>1,010,994</u>	<u>56,260</u>	<u>1,067,254</u>
<b>TOTAL ASSETS</b>	<u>1,656,366</u>	<u>98,828</u>	<u>1,755,194</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accrued salaries	-	-	-
Accrued sick and vacation leave	8,907	-	8,907
Current maturities on long-term debt	5,000	-	5,000
<b>TOTAL CURRENT LIABILITIES</b>	<u>13,907</u>	<u>-</u>	<u>13,907</u>
Long-term Liabilities:			
Notes payable	49,000	-	49,000
<b>TOTAL LIABILITIES</b>	<u>62,907</u>	<u>-</u>	<u>62,907</u>
<b>NET ASSETS</b>			
Invested in capital assets net of related debt	956,994	-	956,994
Net Assets:			
Unrestricted	636,465	98,828	735,293
<b>TOTAL NET ASSETS</b>	<u>\$ 1,593,459</u>	<u>\$ 98,828</u>	<u>\$ 1,692,287</u>

**City of Munising, Michigan**

**ALL INTERNAL SERVICE FUNDS**

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

For the Fiscal Year Ended June 30, 2004

	<b>Motor Pool Fund</b>	<b>Municipal Building Authority Fund</b>	<b>Total</b>
<b>OPERATING REVENUES:</b>			
Rents and royalties	\$ 476,005	\$ 61,690	\$ 537,695
Other	-	42	42
<b>TOTAL OPERATING REVENUES</b>	<u>476,005</u>	<u>61,732</u>	<u>537,737</u>
<b>OPERATING EXPENSES:</b>			
Personnel services	88,441	17,975	106,416
Services and supplies	47,215	18,090	65,305
Administrative and general	28,469	26,102	54,571
Repairs and maintenance	34,864	5,009	39,873
Depreciation	180,776	-	180,776
<b>TOTAL OPERATING EXPENSES</b>	<u>379,765</u>	<u>67,176</u>	<u>446,941</u>
<b>OPERATING INCOME (LOSS)</b>	<u>96,240</u>	<u>(5,444)</u>	<u>90,796</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Interest income	10,417	914	11,331
Interest expense	(2,684)	-	(2,684)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>7,733</u>	<u>914</u>	<u>8,647</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<u>103,973</u>	<u>(4,530)</u>	<u>99,443</u>
Transfers (out)	<u>(102,809)</u>	<u>-</u>	<u>(102,809)</u>
<b>CHANGE IN NET ASSETS</b>	<u>1,164</u>	<u>(4,530)</u>	<u>(3,366)</u>
Net assets, beginning of year	<u>1,592,295</u>	<u>103,358</u>	<u>1,695,653</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 1,593,459</u>	<u>\$ 98,828</u>	<u>\$ 1,692,287</u>

**City of Munising, Michigan**

**ALL INTERNAL SERVICE FUNDS**

**COMBINING STATEMENT OF CASH FLOWS**

For the Fiscal Year Ended June 30, 2004

	<b>Motor Pool Fund</b>	<b>Municipal Building Authority Fund</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from fees and charges for services	\$ 476,005	\$ 61,690	\$ 537,695
Other operating revenues	-	42	42
Cash payments to employees for services	(59,291)	(13,118)	(72,409)
Cash payments for payroll taxes	(4,434)	(979)	(5,413)
Cash payments to suppliers for goods and services	(136,598)	(53,402)	(190,000)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>275,682</b>	<b>(5,767)</b>	<b>269,915</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Payments (to) other funds	(102,809)	-	(102,809)
Payments (to) other local units	-	-	-
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>(102,809)</b>	<b>-</b>	<b>(102,809)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and construction of capital assets	(63,836)	-	(63,836)
Payments received on notes receivable	-	12,100	12,100
Principal payments on notes payable	(5,000)	-	(5,000)
Interest paid on notes payable	(2,684)	-	(2,684)
<b>NET CASH (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(71,520)</b>	<b>12,100</b>	<b>(59,420)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest income	10,417	914	11,331
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>10,417</b>	<b>914</b>	<b>11,331</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>111,770</b>	<b>7,247</b>	<b>119,017</b>
Cash and cash equivalents, beginning of year	533,602	35,321	568,923
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 645,372</b>	<b>\$ 42,568</b>	<b>\$ 687,940</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 96,240	\$ (5,444)	\$ 90,796
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	180,776	-	180,776
Changes in assets and liabilities:			
Increase (decrease) in accounts payable	-	-	-
Increase (decrease) in accrued salaries	(1,334)	(323)	(1,657)
Increase (decrease) in accrued sick and vacation	-	-	-
<b>NET ADJUSTMENTS</b>	<b>179,442</b>	<b>(323)</b>	<b>179,119</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 275,682</b>	<b>\$ (5,767)</b>	<b>\$ 269,915</b>

**City of Marquette, Michigan**

**MOTOR POOL FUND**

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>OPERATING REVENUES:</b>			
Rents and royalties	\$ 350,000	\$ 476,005	\$ 126,005
Other	-	-	-
<b>TOTAL OPERATING REVENUES</b>	<u>350,000</u>	<u>476,005</u>	<u>126,005</u>
<b>OPERATING EXPENSES:</b>			
Personnel services	59,800	88,441	(28,641)
Services and supplies	57,500	47,215	10,285
Administrative and general	29,600	28,469	1,131
Repairs and maintenance	30,000	34,864	(4,864)
Depreciation	170,000	180,776	(10,776)
<b>TOTAL OPERATING EXPENSES</b>	<u>346,900</u>	<u>379,765</u>	<u>(32,865)</u>
<b>OPERATING INCOME (LOSS)</b>	<u>3,100</u>	<u>96,240</u>	<u>93,140</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest income	9,000	10,417	1,417
Interest expense	(6,897)	(2,684)	4,213
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>2,103</u>	<u>7,733</u>	<u>5,630</u>
<b>INCOME BEFORE TRANSFERS</b>	5,203	103,973	98,770
Transfers (out)	<u>(102,809)</u>	<u>(102,809)</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	(97,606)	1,164	98,770
Net assets, beginning of year	<u>1,592,295</u>	<u>1,592,295</u>	<u>-</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 1,494,689</u></u>	<u><u>\$ 1,593,459</u></u>	<u><u>\$ 98,770</u></u>

**City of Marquette, Michigan**

**MUNICIPAL BUILDING AUTHORITY FUND**

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>OPERATING REVENUES:</b>			
Rents and royalties	\$ 56,760	\$ 61,690	\$ 4,930
Other	-	42	42
<b>TOTAL OPERATING REVENUES</b>	<u>56,760</u>	<u>61,732</u>	<u>4,972</u>
<b>OPERATING EXPENSES:</b>			
Personnel services	11,300	17,975	(6,675)
Services and supplies	14,160	18,090	(3,930)
Administrative and general	30,500	26,102	4,398
Repairs and maintenance	<u>2,000</u>	<u>5,009</u>	<u>(3,009)</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>57,960</u>	<u>67,176</u>	<u>(9,216)</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(1,200)</u>	<u>(5,444)</u>	<u>(4,244)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest income	<u>1,200</u>	<u>914</u>	<u>(286)</u>
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>1,200</u>	<u>914</u>	<u>(286)</u>
<b>CHANGE IN NET ASSETS</b>	-	(4,530)	(4,530)
Net assets, beginning of year	<u>103,358</u>	<u>103,358</u>	<u>-</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 103,358</u></u>	<u><u>\$ 98,828</u></u>	<u><u>\$ (4,530)</u></u>



## **COMPLIANCE SUPPLEMENTS**



# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

## PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN  
ESCANABA  
IRON MOUNTAIN  
KINROSS  
MARQUETTE

WISCONSIN  
GREEN BAY  
MILWAUKEE

### REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor, Members of the  
City Council, and City Manager  
City of Munising, Michigan 49862

We have audited the financial statements of the governmental activities, business-type activities, discretely presented component units, major funds, and remaining fund information, which collectively comprise the basic financial statements of City of Munising, Michigan as of and for the year ended June 30, 2004, and have issued our report thereon dated August 13, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether City of Munising, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*. These instances are described in a separate letter to management dated August 13, 2004.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Munising, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting, that, in our judgment could adversely affect City of Munising's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described to management in a separate letter dated August 13, 2004.

To the Honorable Mayor, Members of the  
City Council, and City Manager  
City of Munising, Michigan 49862

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of management, others within the organization, and City Council and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

August 13, 2004



# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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### *City of Munising, Michigan Report to Management Letter For the Year Ended June 30, 2004*

To the Honorable Mayor and Members of  
the City Council  
City of Munising, Michigan  
Munising, MI 49862

In planning and performing our audit of the financial statements of the City of Munising, Michigan for the year ended June 30, 2004, we considered its internal accounting control structure for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to deficiencies in the design or operation of the internal control structure that, in our judgement, could affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

#### **Reportable Conditions**

##### ***Cash Reconciliation***

In any system of internal accounting control one of the main ingredients is a strong reconciliation function. The general ledger contains the accounts and records which are the basis for the preparation of financial statements and for them to be free of a material error or irregularity, the necessity for timely and accurate reconciliations cannot be overemphasized. We noted during our audit that variances existed in the reconciliation of several cash accounts. We recommend and good internal control dictates the cash accounts be reconciled accurately to the general ledger on a monthly basis and any adjustments to be made be processed timely.

##### **Instances of Non-Compliance**

##### ***Uniform Budgeting and Accounting Act (P.A. 621)***

The State of Michigan has enacted Public Act 621, the Uniform Budgeting and Accounting Act, to provide for a system of uniform procedures for the preparation and execution of budgets in local units of government. The purpose of P.A. 621 is to require that all local units of government adopt balanced budgets, to establish responsibilities and define the procedure for the preparation, adoption and maintenance of the budget, and to require certain information for the budget process, including data for capital construction projects. The major provisions of P.A. 621 are as follows:

To the Honorable Mayor and Members of  
the City Council  
City of Munising, Michigan

1. Local Units of government must adopt a budget.
2. The budget, including accrued deficits and available unappropriated surpluses, must be balanced.
3. The budget must be amended when necessary.
4. Debt shall not be entered into unless the debt is permitted by law.
5. Expenditures shall not be incurred in excess of the amount appropriated.
6. Expenditures shall not be made unless authorized in the budget.
7. Violations of the act, disclosed in an audit of the financial records, in the absence of reasonable procedures shall be filed with the State Treasurer and reported to the Attorney General.

The City was found to be in violation of the legal and contractual provisions of Public Act 621 in certain individual funds as enumerated upon in Footnote M.

\* \* \* \* \*

This report is intended solely for the information and use of the City Council, the City's management, and others within the City Administration.

We appreciate and would like to thank the City's staff for the cooperation and courtesy extended to us during our audit. We would be pleased to discuss any comments or answer any questions regarding our audit with you at your convenience.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

August 13, 2004